SFG 2023 | LEVEL 1 | Test #13 – Solutions | ForumIAS

Q.1) In the context of independent India's economy, which one of the following was the earliest event to take place?
a) Nationalization of Insurance companies
b) Nationalization of State Bank of India
c) Enactment of Banking Regulation Act
d) Introduction of First Five-Year Plan

Ans) c
Exp) Option c is the correct answer.
Nationalization of State Bank of India – 1955;
Introduction of First Five-Year Plan – 1951;
Enactment of Banking Regulation Act – 1949;
Nationalization of Insurance Companies – 1955-56
Source) UPSC CSE Pre 2009

Q.2) The 15th Finance Commission has recommended a total 'Post Devolution Revenue Deficit Grant' of Rs. 86,201 crores for the financial year 2022-23. Regarding this Post Devolution Revenue Deficit Grant, consider the following statements:
1. The word "Post Devolution Revenue Deficit Grant" is mentioned in Article 275 of the Indian Constitution.
2. It is duty of the Union Government to release this grant to all states, irrespective of their financial position.
3. The Department of Expenditure, under the Ministry of Finance, releases such amount to the respective state governments.
Which of the statements given above is/are **incorrect**?
a) 1 and 2 only
b) 2 and 3 only
c) 1 only
d) 1, 2 and 3

Ans) a
Exp) Option a is the correct answer.
Option 1 is incorrect: Although the central government provides the Post Devolution Revenue Deficit Grants to the States under Article 275 of the Constitution, the word "Post devolution revenue deficit grant" is **not mentioned in Article 275.**
Option 2 is incorrect: It is **not mandatory** for the central government to provide this grant to all states. Such grants will be released to those states **based on the recommendation of the finance commission**. For example, recently the Union government released 86,201 crores to 14 states.
Option 3 is correct: Finance commission has only advisory power i.e., it can only recommend. The ultimate authority rests with the union government and the **Department of Expenditure (Ministry of Finance) will release** the approved amount to the respective state governments.
Source:
https://www.pib.gov.in/PressReleasePage.aspx?PRID=1865563#:~:text=The%20Fifteenth%20Finance%20Commission%20has,in%2012%20equated%20monthly%20instalments.

Q.3) With reference to the 'Fiscal marksmanship', which of the following statements is correct?
a) It is the difference between the budgetary expenditures and the government's revenue receipts.
b) It refers to the accuracy of the government's forecast of fiscal parameters.

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c) It refers to the sharing of tax revenues by the Union government with the states as per the spirit of fiscal federalism.
d) It is the deflationary effect of a progressive taxation system on a country's economy.

Ans) b

Exp) Option b is the correct answer.

Fiscal marksmanship essentially refers to the **accuracy of the government's forecast of fiscal parameters** such as revenues, expenditures and deficits etc. In other words, if the difference between what the government projected in the Budget and the actual figures a year later is large then it reflects poor fiscal marksmanship. It helps determine the creditability of the budget numbers of the government.
Source: https://indianexpress.com/article/explained/explained-what-ails-with-the-credibility-of-indias-budget-numbers-6239577/

Q.4) With reference to taxation regime in India, which one of the following statements is correct regarding 'Surcharge'?
a) It is a form of a temporary tax levied by the government with specific purposes.
b) The government can utilise the proceeds of surcharge for whichever purpose it deems fit.
c) The 101st Constitutional Amendment Act gives the power to Central Government to ordinarily impose surcharge over and above the GST.
d) The proceeds from surcharge mandatorily needs to be shared with State governments.

Ans) b

Exp) Option b is the correct answer.

Option a is incorrect: **Surcharge** is an additional charge or tax. In simple words, a surcharge is a tax on tax. It is levied as a percentage on the income tax payable as per normal rates. In case no tax is due for a financial year, then no surcharge is levied. **Unlike a cess**, which is meant to raise revenue for a temporary need, **surcharge is usually permanent in nature**.
Option b is correct: Parliament can impose a surcharge for 'the purposes of the Union'. The exact import of this phrase is not clear, but it is logical that the Union can impose a surcharge only on its tax base. Unlike a cess, in the case of a surcharge, there is **no need to stipulate the purpose at the time of levy and it is the discretion of the Union** to utilise the proceeds of the surcharges for whichever purpose it deems fit.
Option c is incorrect: Pursuant to Constitution (One Hundred and First Amendment) Act, 2016, a surcharge **cannot ordinarily be imposed over and above the Goods and Service Tax.**
Option d is incorrect: The proceeds from surcharges **need not be shared with State Governments**. The concept of surcharge and the language for 'purposes of the Union' in Article 271 was interpreted to mean that surcharge proceeds are **separate from income tax proceeds** for the purposes of distribution and therefore it is not the obligation of Union to share proceeds from surcharge with the states.
Source: Microsoft Word - Vidhi_Cess_Surcharge_Finance Commission_Final.docx (fincomindia.nic.in)
All you wanted to know about... surcharge - The Hindu BusinessLine
What is Cess, Cess News, Cess Definition | Business Standard (business-standard.com)

Q.5) With reference to 'Electronically Transmitted Postal Ballot System' (ETPBS), consider the following statements:
1. It can be utilized by the government employees posted on diplomatic missions outside India.
2. Citizens aged 80 years and above can opt for postal ballot.
3. The Conduct of Election Rules,1961 was amended recently to allow Non-Resident Indian to use the ETPBS.

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Which of the statements given above is/are correct?
a) 1 only
b) 1 and 2 only
c) 3 only
d) 1 and 3 only

Ans) b
Exp) Option b is the correct answer.
The Chief Election Commissioner has told members of the Indian community in South Africa and Mauritius that the facility to extend the Electronically Transmitted Postal Ballot System (ETPBS) facility to overseas voters is being contemplated.
Statement 1 is correct: The Electronically Transmitted Postal Ballot System (ETPBS) enables entitled **service voters to cast their vote** from their preferred location, which is **outside their originally-assigned voting constituency.** Persons working in **Central forces under Arms Act,** government officials deployed in embassies outside the country and **government employees on diplomatic missions outside India** are classified as service voters
Statement 2 is correct:
In October 2019, the Law Ministry amended the Conduct of Election Rules to allow people with disabilities and those who are 80 years of age or above to opt for postal ballot during Lok Sabha and assembly elections. In January, 2022 Election Commission of India has allowed journalists authorized by the poll panel to cast their votes through a postal ballot facility.
Statement 3 is incorrect: The Conduct of Election Rules,1961 was amended in 2016 to **allow service voters** to use the ETPBS**.** In 2020, Election Commission of India had written to the Law Ministry **proposing NRIs be allowed to vote through postal ballots** following which the matter has been under consideration by the government.
Source: Postal Ballots for NRIs being contemplated -ForumIAS Blog
Assembly Election 2021: ETPBS to allow for transmission of postal ballots to service voters; an overview-Politics News, Firstpost

Q.6) Which of the following best describes the distinction between public goods and private goods?
a) Public goods are generally rival in nature but private goods are non-rivalrous.
b) Purchasing power of a person determines whether he/she can avail the private goods whereas it is not so in public goods.
c) Public goods are produced by the government only whereas the private goods are produced by private sector only.
d) Unlike public goods, user of private goods can voluntarily refuse to pay for the goods and services enjoyed.

Ans) b
Exp) Option b is the correct answer.
Option a is incorrect: The **benefits** of public goods are enjoyed by **all people** and it is **non rivalrous** in nature. E.g., **The Clean environment** (air, water, sanitation etc.) is a public good which upon its consumption cannot be reduced and its benefit is not limited to any particular person. But the **private goods** such as **chocolate** are reduced upon its consumption and are generally **rival** in nature.
Option b is correct: Purchasing power of a person **determines** his/her access to **private goods** E.g A person's capability to buy laptops, bikes is dependent upon his/her ability to pay. But in the case of **public**

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good such as food, clean drinking water one's ability to pay **don't play a significant role** because of **government's interference** in terms of providing subsidy, public investment etc.,

Option c is incorrect: Public goods are produced by both the public and private players e.g. electricity.

Option d is incorrect: Also, **public good faces a free rider problem**. Some users of public goods voluntarily refuse to pay for the goods and services that are offered freely by the government e.g **User fees for water and roads are not paid by some users**. However, in the case of **private goods** the buyer and seller relation are maintained by the **one's willingness to pay for the goods and services. E.g., Without paying one cannot enter the Movie theatre.**

Source: NCERT Class XII: Introductory Macroeconomics (pg no 67)

Q.7) Which of the following activities can have a positive effect on fiscal consolidation in India?

1. Implementation of the FRBM Act
2. Ensuring debt sustainability
3. High tax expenditure
4. Increasing off-budget borrowings
5. Introduction of Goods and Services Tax
6. Direct Benefit Transfer of government subsidies

Select the correct answer using the code given below:

a) 1, 2 and 6 only
b) 2, 4, 5 and 6 only
c) 1, 2, 5 and 6 only
d) 1, 2, 3 and 5 only

Ans) c

Exp) Option c is the correct answer

Fiscal consolidation refers to the ways and means of narrowing the fiscal deficit.

Option 1 is correct. Fiscal consolidation aims at reducing government deficits and debt accumulation. The Fiscal Responsibility and Budget Management (FRBM) Act gives the **targets for fiscal consolidation in India.**

Option 2 is correct. A country's public debt is considered sustainable if the government is able to meet all its current and future payment obligations. Timely payments help in preventing extra payments in the form of interests. Thus, ensuring sustainability of debt will help in fiscal consolidation path.

Option 3 is incorrect. Tax expenditure is revenue forgone due to tax concessions and exemptions. **High tax expenditure affects tax revenues and hence leads to higher fiscal deficits.**

Option 4 is incorrect. Although Off-budget liabilities are not incorporated in the calculation of fiscal deficit, **they are included in the calculation of government debt.** Thus, higher and increasing off-budget borrowings will increase government debt.

Option 5 is correct. GST has widened the tax base. **A wider tax base improves revenue collections.** This will help reduce revenue deficit and thus promote fiscal consolidation.

Option 6 is correct. Direct Benefit Transfer of government subsidies will help plug subsidy leaks. This will save money and thus will help in fiscal consolidation.

Source: NCERT Class XII: Introductory Macroeconomics,

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Q.8) Consider the following pairs:

Types of Deficit	*Meaning*
1. Effective Revenue Deficit	Excess of government's revenue expenditure over total receipts.
2. Primary Deficit	Indicates the government's borrowings that are utilised to pay the interest on loans.
3. Monetised Deficit	Part of public deficit financed by borrowings from abroad.

Which of the pairs given above is/are correctly matched?
a) 1 and 2 only
b) 2 only
c) 2 and 3 only
d) 1 and 3 only

Ans) b

Exp) Option b is the correct answer.

Pair 1 is incorrect. The revenue deficit refers to the excess of government's revenue expenditure over revenue receipts (not total receipts).

Revenue deficit = Revenue expenditure – Revenue receipts

On the contrary, Effective Revenue Deficit is the **difference between revenue deficit and grants for creation of capital assets.** The concept of effective revenue deficit was suggested by the Rangarajan Committee on Public Expenditure and introduced in 2011-12 budget. It is aimed to deduct the money used out of borrowing to finance capital expenditure. The concept has been introduced to ascertain the actual deficit in the revenue account after adjusting for expenditure of capital nature.

Pair 2 is correct. **Primary deficit** is the difference between the fiscal deficit of the current year and the interest paid by the government on loans obtained in the past. It **indicates the government's borrowings that are utilised to pay the interest on loans rather than on capital expenditure.**

Pair 3 is incorrect. Monetized deficit is the part of the government deficit which is financed by borrowing from RBI. Monetised deficit, also known as debt monetisation, is the monetary support that Reserve Bank of India (RBI) extends to the Centre as part of the government's borrowing programme. In other words, the term refers to the **purchase of government bonds by the central bank to finance the spending needs of the government.** Monetisation of deficit was in practice in India till 1997, whereby the central bank automatically monetised government deficit through the issuance of ad-hoc treasury bills.

Source: Macroeconomics, NCERT XII, Chapter-5, Pg. 65
http://arthapedia.in/index.php?title=Effective_Revenue_deficit
https://economictimes.indiatimes.com/markets/stocks/news/deficit-monetisation-is-it-really-as-simple-as-rbi-printing-more-money/articleshow/75968757.cms?from=mdr

Q.9) With regard to infrastructure-related schemes, which of the following statements is/are correct?
1. National Monetisation Plan includes the monetisation of both central and state governments assets.
2. National Infrastructure Pipeline is wholly funded by the Union government.
3. National Monetisation Plan includes green field and brown field projects, but National Infrastructure Pipeline includes only brownfield projects.

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Select the correct answer using the code given below:
a) 1 only
b) 2 only
c) 1 and 3 only
d) None of the above

Ans) d
Exp) Option d is the correct answer.
The National monetisation plan (NMP) was announced in the Union Budget 2021-22. It is a way to convert the government's infrastructure assets into monetary value. In this case, the government will monetise the contracts to build railways, roads, power grids, bridges and so on.
The National Infrastructure Pipeline (NIP) for FY 2019-25 is a first-of-its-kind, whole-of-government exercise to provide world-class infrastructure to citizens. The plan will help India to reach $5 trillion economy by 2025.
Statement 1 is incorrect: The National monetisation plan (NMP) includes selection of de-risked and brownfield core assets. Further, currently, only assets of **central government line ministries and CPSEs in infrastructure sectors** have been included. Process of coordination and collation of asset pipeline from states is currently ongoing and the same is envisaged to be included in due course.
Statement 2 is incorrect: National Infrastructure Pipeline will be funded jointly by the Centre, states and the private sector in the proportion of 39:39:22 (39 % each by the centre and states and **22% by the private sector**).
Statement 3 is incorrect: NMP covers brownfield assets only. Whereas NIP covers **all projects (Greenfield or Brownfield,** under conceptualization or under implementation or under Development) **of project cost greater than Rs. 100 crore per project.**
Source: Press Information Bureau (pib.gov.in)
National Infrastructure Pipeline: Invest in Infrastructure Projects in India | IIG (indiainvestmentgrid.gov.in)

Q.10) Recently, the term 'Wright Mons' was seen in news. It is related to:
a) first airplane model designed by Wright Brothers.
b) comet like asteroid discovered in Kuiper Belt.
c) mountainous feature found on Pluto.
d) type of Crypto Ransomware appeared online.

Ans) c
Exp) Option c is the correct answer.
The National Aeronautics and Space Administration's (NASA) **New Horizons probe** has reported new findings of Pluto. The probe reported that icy lava flows have recently (no more than a billion years ago) covered substantial tracts of its surface. The findings drew particular attention to a mountainous feature named Wright Mons.
Wright Mons is a **mountainous feature found on Pluto**. It was informally named by the New Horizons team in honour of the Wright brothers. It is about 150 km across its base and has a central depression (a hole) 40-50 km wide, with a floor at least as low as the surrounding terrain.
Scientists claim that Wright Mons is a volcano and cite the lack of impact craters as evidence that it is not likely to be older than 1-2 billion years.

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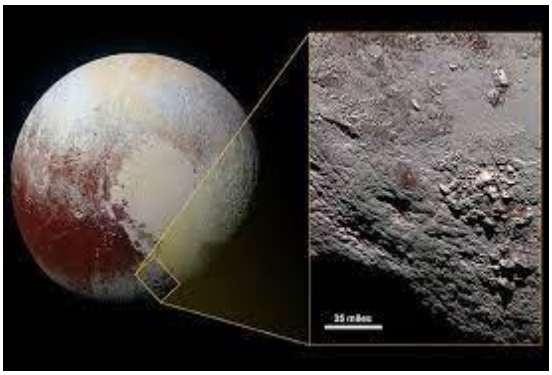

Wright Mons

The volume of Wright Mons exceeds 20 thousand cubic kilometres. Although considerably less than the volume of Mars's biggest volcanoes, this is similar to the total volume of Hawaii's Mauna Loa, and much greater than the volume of its above sea-level portion.

Source: Pluto: 'Recent' volcanism raises puzzle – how can such a cold body power eruptions? -ForumIAS Blog

Q.11) If another global financial crisis happens in the near future, which of the following action/policies are most likely to give some immunity to India?

1. Not depending on short-term foreign borrowings
2. Opening up to more foreign banks
3. Maintaining full capital account convertibility

Select the correct answer using the code given below:

a) 1 only
b) 1 and 2 only
c) 3 only
d) 1, 2 and 3

Ans) a

Exp) Option a is the correct answer.

Statement 1 is correct. The Short-term debts have to be returned at a shorter interval. This renders an economy vulnerable if the economy is already facing economic crisis as it has an obligation to return the debt as well as interest payments (debt service). Example: Many economies like Mexico, Argentina etc who faced crisis were seen to have borrowed large amounts of short-maturity debt. So, the ideal scenarios is not to depend upon short-term debt during crisis.

Statement 2 is incorrect. Opening up to the foreign banks and depending upon them is not a good idea during crisis. It has been empirically observed in World Bank Research that in many cases (like during Global Financial Crisis 2007-08) that foreign banks reduced their lending during crisis. Many of them choose to retreat from cross-border banking in general, including through cutting back on new entry.

Statement 3 is incorrect. Capital account convertibility would mean that there is no restriction on conversion of the domestic currency into a foreign currency. It is recognised that capital flows are sensitive to macroeconomic conditions. Any deterioration in fiscal conditions, inflation management, balance of payments, or any other economic crisis may cause a cessation or reversal of capital flows. This might make the economy vulnerable if it already suffering from economic crisis.

Source) UPSC CSE Pre 2020

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Q.12) Consider the following statements in context of the recently adopted Sustainable Public Procurement policy:
1. It was launched by the Government e-Marketplace (GeM) in association with United Nations Framework Convention on Climate change (UNFCCC).
2. The Policy allows the option of reverse auction, where seller can quote a future buyback price of the product.
Which of the statements given above is/are correct?
a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

Ans) b
Exp) Option b is the correct answer.
Statement 1 is incorrect: Sustainable Public procurement policy was **launched not in association with UNFCCC but with United Nations Environment Programme (UNEP). GeM in association with UNEP** launched an initiative of sustainable public procurement policy to promote environment-friendly policy.
Statement 2 is correct: The new feature called **reverse auction (buyback option)** was introduced in this initiative. It permits **sellers to quote the price of new products along with the price of buyback for the same product**. For instance, if the government buys Air conditioner from a seller, then the seller needs to quote the buyback price of AC after it becomes obsolete. This way **disposal of electronic waste can be made safe.**
Source: https://www.pib.gov.in/PressReleasePage.aspx?PRID=1831192

Q.13) Which among the following is the correct description of the term, 'Seigniorage'?
a) The cost of metal incurred by a government when it issues new coins.
b) The cost incurred by a government when it issues currency.
c) The loss made by a government due to soiling and mutilation of the currency in circulation.
d) The profit made by a government when it issues currency.

Ans) d
Exp) Option d is the correct answer.
Seigniorage refers to **the profit made by a government when it issues currency**. It is simply the **difference in the value of the currency** versus **the cost of producing** it. Seigniorage is a way for governments who mint their currency to make an economic profit. The cost of producing currency is generally lower than the face value of the currency itself.
Monetary seigniorage can **be used as an effective monetary policy tool**. It can result in debt monetization. **Debt monetization** is when a central bank will buy interest-bearing debt with non-interest-bearing money. It can be a useful tool to control the debt level of an economy.
Source: https://www.investopedia.com/terms/s/seigniorage.asp
https://economictimes.indiatimes.com/definition/seigniorage
https://corporatefinanceinstitute.com/resources/knowledge/economics/seigniorage/

Q.14) In the context of the Indian economy, consider the following statements:
1. The increase in the share of revenue deficit in the gross fiscal deficit indicates that the quality of public expenditure is declining.
2. An increase in the fiscal deficit can boost a sluggish economy.

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3. Government may introduce new taxes to deal with the revenue deficit.
Which of the statement(s) given above is /are correct?
a) 1 and 3 only
b) 2 only
c) 1, 2 and 3
d) 1 and 2 only

Ans) c
Exp) Option c is the correct answer.
A fiscal deficit is the excess of the total government expenditure over receipts from both tax and non-tax sources excluding borrowings, during a fiscal year in both current and capital accounts.
A revenue deficit is the excess of estimated government expenditure over receipts during a fiscal year in revenue account.
Statement 1 is correct. The share of the revenue deficit in the gross fiscal deficit (RD-GFD) indicates the proportion of borrowed resources exhausted on revenue expenditure rather than investment. It reflects the quality of expenditure – **a higher RD-GFD points to decline in quality** since fiscal multipliers tend to be lower for capital outlays than for current expenditure.
Statement 2 is correct. An **increase in the fiscal deficit, can boost a sluggish economy b**y giving more money to people who can then buy and invest more.
Statement 3 is correct. When total revenue expenditure exceeds total revenue receipts it leads to a revenue deficit. The **Centre often resorts to borrowings and divestments to make up for this gap in revenue, alongside the introduction of new or increasing taxes.**
Source: https://m.rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=20872
https://www.google.com/amp/s/m.economictimes.com/budget-faqs/how-does-revenue-fiscal-and-primary-deficit-impact-the-economy/amp_articleshow/88250152.cms

Q.15) With reference to 'Climate Change', which one of the following statements correctly describe the term 'Social Cost of Carbon' (SCC)?
a) It is the total impact of excess carbon emission on the vulnerable sections including tribals, women and children.
b) It is a mechanism to set price on carbon by defining a tax rate on greenhouse gas emissions.
c) It is the marginal cost of the impacts caused by emitting one extra tonne of greenhouse gas.
d) It is the number of work days lost by people due to negative impacts of atmospheric carbon.

Ans) c
Exp) Option c is the correct answer.
Option c is correct: The **social cost of carbon** (SCC) is the **marginal cost of the impacts caused by emitting one extra tone of greenhouse gas** (carbon dioxide equivalent) at any point in time, **inclusive of 'non-market' impacts on the environment and human health.**
The social cost of carbon is a calculation focused on taking corrective measures on climate change which can be deemed a form of market failure
When we emit a ton of carbon dioxide in the atmosphere, it sticks around for a while and causes warming, affecting human outcomes. The social cost of carbon is the total damage that an additional ton of CO_2 has on outcomes, converted into monetary term.
Option b is incorrect: A carbon tax directly sets a price on carbon by defining a tax rate on greenhouse gas emissions or – more commonly – on the carbon content of fossil fuel.
Option d is incorrect: Carbon trading is the process of buying and selling permits and credits that allow the permit holder to emit carbon dioxide.

Q.16) Which of the following items are credited into the Consolidated Fund of India?
1. Revenues received by the Government of India
2. The loans obtained from foreign governments
3. Provident fund deposits
4. Remittances received from abroad
Select the correct answer using the code given below:
a) 1 and 2 only
b) 1, 2 and 3 only
c) 2 and 4 only
d) 1, 2 and 4 only

Ans) a

Exp) Option a is the correct answer.

Consolidated Fund of India is the most important of all government accounts. Revenues received by the government and expenses made by it, excluding the exceptional items, are part of the Consolidated Fund.

Statement 1 is correct: All revenues received by the Government of India are credited into the Consolidated Fund of India.

Statement 2 is correct: All l**oans raised by the Central Government** by issue of public notifications, **treasury bills (internal debt) and loans obtained from foreign governments** and international institutions (external debt) are credited into the Consolidated Fund of India.

Statements 3 and 4 are incorrect: All other public money (other than those which are credited to the Consolidated Fund of India) received by or on behalf of the Government of India shall be credited to the **Public Account of India**. This includes **provident fund deposits**, judicial deposits, savings bank deposits, departmental deposits, **remittances** and so on. This account is operated by executive action, that is, the payments from this account can be made without parliamentary appropriation. Such payments are mostly in the nature of banking transactions.

Source: https://ccaind.nic.in/govt_accounts.asp
https://economictimes.indiatimes.com/definition/consolidated-fund
https://www.business-standard.com/podcast/finance/what-is-the-consolidated-fund-of-india-122010700095_1.html

Q.17) Which of the following can be considered as the appropriate objectives of the Government's Budgeting?
1. Provision of all types of goods and services to the citizens
2. Redistribution of income among the citizens
3. Reduction or expansion of aggregate demand in an economy
4. Disincentivizing the production of certain goods
Select the correct answer using the code given below:
a) 1 and 2 only
b) 2 and 4 only
c) 1 and 3 only
d) 2, 3 and 4 only

Ans) d

Exp) option d is the correct answer.

Option 1 is incorrect. Government budget decisions can influence the provision of **public goods** such as roads, water, food etc., but its impact on **private goods** such as cars, cosmetics etc., is not as good as it is

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in public goods. Also, such goods and services may not reach all the citizens given the implementation issues, corruption etc.**, So statement 1 is extreme and absurd** and hence it is wrong.

Option 2 is correct. The other important function of the budget is its impact on the **distribution of wealth and national income**. For instance, the **direct tax such as income tax, corporate tax, surcharge redistributes** the wealth from rich to poorer section of the population. The government sector affects the personal disposable income of households by making transfers and collecting taxes.

Option 3 is correct. The government may need to correct fluctuations in income and employment. The overall level of employment and prices in the economy depends upon the level of aggregate demand. In any period, the level of demand may not be sufficient for full utilisation of labour and other resources of the economy. The government thus needs to intervene to raise the aggregate demand.

On the other hand, there may be times when demand exceeds available output under conditions of high employment and thus may give rise to inflation. In such situations, restrictive conditions may be needed to reduce demand.

The intervention of the government whether to expand demand or reduce it constitutes the stabilisation function.

Option 4 is correct Government through its budgetary policy especially through its taxation policy both encourages and discourages the production of a particular goods and services. It discourages junk food by imposing **fat tax (Kerala became the first state in India** to implement a fat tax of **14.5% on junk food** like pizzas, burgers and more**).** Government by giving the tax incentives or reducing the tax rate can encourage the production of certain goods. For example, in the face of 2nd wave of Covid19 pandemic, the GST Council on **slashed tax rates on drugs, medical grade oxygen and testing kits to 5%** to encourage its production.

Source: 12th NCERT Introductory Macroeconomics (pg no 66,67)

Q.18) With reference to budget of Union Government of India, which of the following are considered as the components of capital expenditure?

1. Investment in equities by the Government
2. Grants given to state governments for creation of assets
3. Loans given to the foreign nations
4. Investment on building of roads and ports

Select the correct answer using the code given below:

a) 1, 2 and 4 only
b) 1, 3 and 4 only
c) 3 and 4 only
d) 1, 2, 3 and 4

Ans) b

Exp) option b is the correct answer.

Option 1 is correct. Capital expenditure is the **money spent on the acquisition** of assets like land, buildings, machinery, equipment, as well as **investment in shares or equities.**

Option 2 is incorrect. All those expenditures that are incurred by the government for purposes other than the creation of physical or financial assets are called **revenue expenditures**. **Grants given to states including for creation of assets** is considered as **revenue expenditure by the Union governmen**t as it doesn't result in creating any assets for the Union government. Other revenue expenditures are **Salaries, wages, pensions, subsidies, interest payments.**

Option 3 is correct. Loans given to foreign nations, or any entity are treated as assets of the government because they accrue **income in the form of interest**. Additionally, the **recipient of loan (unlike grants) are bound to repay** the amount hence it is considered as assets. Hence the **loans are capital expenditure.**

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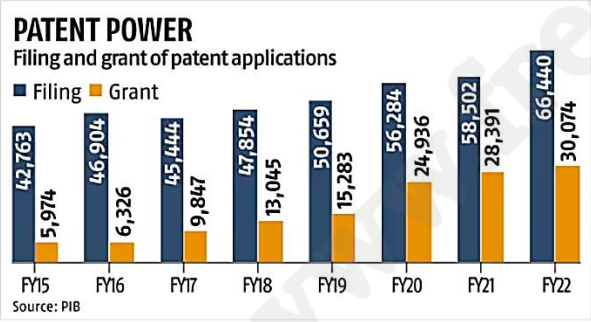
Option 4 is correct. Government by spending on **infrastructure** creates an **asset** for the country. For example, government's investment on **building roads and ports** creates financial assets and supports economic activity in the country. So, they **are components of capital expenditure**.
Source: 12th NCERT Introductory Macroeconomics (pg no 68,69,70)
https://www.indiabudget.gov.in/budget_archive/ub2010-11/keybud/keybud2010.htm

Q.19) Consider the following statements with reference to the Intellectual Property Rights (IPR) regime in India:
1. A biological process to create a seed or plant cannot be patented in India.
2. The Department for Promotion of Industry and Internal Trade is the nodal Department for the administration of various laws related to IPRs.
3. The number of patents filed annually in India has consistently increased during the last five years.
4. India grants the highest number of patents among all the BRICS nations.
Which of the statements given above are correct?
a) 1, 2 and 3 only
b) 2 and 3 only
c) 1, 2 and 4 only
d) 1 and 3 only

Ans) a
Exp) Option a is the correct answer.
Statement 1 is correct: According to **Section 3(j) of India's Patents Act 1970, a seed or a plant, or a biological process to create a seed or plant cannot be patented**. The Patents Act - 1970 does not allows plants and animals, including seeds, varieties, and species, and essentially biological processes for production or propagation of plants and animals from being patented.
Statement 2 is correct: The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, is the nodal Department in India for administration of various laws related to IPRs. It includes IPRs such as Patents, Trade Marks, Industrial Designs, Geographical Indications of Goods, Copyrights, Semiconductor Integrated Circuit Layout Designs. It is also mandated for the vetting of Memorandum of Understandings (MoUs) signed with various Ministries/ Departments of Government of India in terms of IPR issues and at international negotiations. The Department also deals with international organizations pertaining to IPR such as World Intellectual Property Organization (WIPO).
Statement 3 is correct: Filing of intellectual property (IP) patents in India rose 30% in the last five years. The number of patents annually filed in India has continuously increased during the last five years.



Statement 4 is incorrect: The **economic Survey pointed out that the number of patents granted in India remains a fraction of China, the US, Japan, and South Korea.** Though patents filed in India have grown considerably, as per the World Intellectual Property Organization (WIPO), the number is still a fraction of

the **5.30 lakh patents granted in China. Since China is a part of BRICS, so we cannot say that** India grants a higher number of patents as compared to all the BRICS nations.
Source: https://www.thehindubusinessline.com/opinion/how-to-strengthen-indias-ipr-regime/article65304032.ece
https://www.livemint.com/
https://rajyasabha.nic.in/rsnew/Committee_site/Committee_File/ReportFile/13/141/161_2021_7_15.pdf

Q.20) The Noise Pollution (Regulation and Control) Rules of 2000 have been notified under which of the following Acts?
a) The Environment (Protection) Act, 1986
b) Air (Prevention and Control of Pollution) Act, 1981
c) Wild Life (Protection) Act, 1972
d) The Water (Prevention and Control of Pollution) Act, 1974

Ans) a
Exp) Option a is the correct answer.
Noise is any unwanted sound that causes annoyance, irritation and pain to the human ear is termed 'noise'. Noise pollution and its sources are regulated under **The Noise Pollution (Regulation and Control) Rules, 2000 under The Environment (Protection) Act, 1986.** The Act has defined ambient acceptable noise levels, silence zones, restrictions on the use of loudspeakers, horns, sound-emitting construction equipment, and bursting of crackers.
Source: Explained: What constitutes 'noise', and how can noise pollution harm you?-ForumIAS Blog

Q.21) A decrease in tax to GDP ratio of a country indicates which of the following?
1. Slowing economic growth rate.
2. Less equitable distribution of national income.
Select the correct answer using the codes given below.
a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

Ans) a
Exp) Option a is the correct answer.
Option 1 is correct. Tax to GDP ratio compares the amount of taxes collected by a government to the amount of income that country receives for its products. A decrease in tax to GDP ratio of a country indicates a slowing economic growth. When tax revenues grow at a slower rate than the GDP of a country, the tax-to GDP ratio drops.
Option 2 is incorrect. A decrease in tax to GDP ratio of a country does not indicate a less equitable distribution of national income. Tax to GDP ratio and income inequality are not directly corelated with each other.
Source) UPSC CSE Pre 2015

Q.22) Which of the following events may lead to fiscal drag in an economy?
1. Rise in income
2. Progressive Taxation
3. Increasing Repo rate

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4. Deflation
Select the correct answer using the code given below:
a) 1, 2 and 3 only
b) 1 and 2 only
c) 1, 3 and 4 only
d) 2 and 4 only

Ans) b
Exp) Option b is the correct answer.
Fiscal drag is an economic term whereby **inflation or income growth** moves **taxpayers into higher tax brackets**. This in effect increases government tax revenue without actually increasing tax rates.
Option 1 and 2 are correct. Fiscal drag happens when **income growth** moves tax payers into higher tax brackets, because of **progressive taxation** system. This results in larger share of income going into taxes, reducing aggregate demand as consumer spending decreases.
Inflation can cause a drag as it reduces the **money left in the hands of people.** The **increase in taxes reduces aggregate demand** and consumer spending from taxpayers **as a larger share of their income now goes to taxes**, which **leads** to **deflationary policies**, or **drag**, on the economy.
Progressive taxation, whereby individuals are moved into higher tax brackets because of inflation or increased income, is a fiscal policy that results in fiscal drag.
Option 3 is incorrect. Change in repo rates controls the **flow of money** in the economic system. Increasing **repo rate would decrease the money supply** in the system and thus would lead to deflationary pressures. This would not result in Fiscal Drag.
Option 4 is incorrect. Fiscal drag happens **when inflation (and not deflation)** moves tax payers into higher tax brackets, because of progressive taxation system. This results in larger share of income going into taxes, reducing aggregate demand as consumer spending decreases. This ultimately leads to drag on the economy.
Source: https://www.investopedia.com/terms/f/fiscal-drag.asp

Q.23) In the context of Ricardian Equivalence, what will be the most likely consequence of increased government expenditure through debt financing?
a) Aggregate demand of goods and services remains unchanged
b) Aggregate supply of goods and services will decrease
c) Aggregate demand of goods and services will rise sharply
d) Aggregate demand of goods and services will decrease

Ans) a
Exp) option a is the correct answer.
Debt government spending means a part of expenditure by the government facilitated through borrowing. T**he Ricardian Equivalence** states that when a government tries to stimulate an economy by increasing **debt-financed government spending**, **demand** remains **unchanged**. It is so because **people will save more because they anticipate the increase in tax rate** by the government to pay off its accumulated debts.
Source: 12th NCERT Introductory Macroeconomics (pg no 79)

Q.24) The Fiscal Responsibility and Budget Management Act (FRBM) act mandates the submission of three documents along with Annual financial statements. Among these, which of the following documents envisages a fiscal deficit target for the country?
a) The Medium-term Fiscal Policy Statement

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b) The Macroeconomic Framework Statement
c) The Fiscal Policy Strategy Statement
d) The External Sector debt statement

Ans) a

Exp) Option a is the correct answer.

Option a is correct. The **Medium-term Fiscal Policy Statement is** presented under the Fiscal Responsibility and Budget Management (FRBM) Act, 2003. It **sets out three-year rolling targets** for specific fiscal indicators. These indicators include the following:

(1) **fiscal deficit as a percentage of GDP;**
(2) revenue deficit as a percentage of GDP;
(3) primary deficit as a percentage of GDP;
(4) tax revenue as a percentage of GDP;
(5) non-tax revenue as a percentage of GDP; and
(6) Central Government debt as a percentage of GDP.

Option b is incorrect. The Macroeconomic Framework Statement assesses the prospects of the economy with respect to the **GDP growth rate, fiscal balance** of the central government and **external balance.**

Option c is incorrect. The Fiscal Policy Strategy Statement **sets the priorities of the government** in the fiscal area, examining current policies and **justifying any deviation** in important fiscal measures.

Option d is incorrect The External sector debt statement is **not even a one of the three documents mandated by FRBM act, 2003** to be submitted before parliament along with Annual financial statement.

Source: 12th NCERT Introductory Macroeconomics (pg no 70)
Economic Survey 2022-23 (pg no 54,55)

Q.25) Which one of the following international/regional organizations has recently adopted the 'Master Plan for Transport Connectivity'?

a) Group of Twenty (G-20)
b) Association of South East Asian Nations (ASEAN)
c) Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)
d) North Atlantic Treaty Organization (NATO)

Ans) c

Exp) Option c is the correct answer.

Recently, the **fifth summit** of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) was concluded in March, 2022 in Colombo. The organization is also celebrating its **25th year of the formation,** which was launched in 1997. The summit had **three important outcomes**:

1) Expanding the **grouping's agenda**, deepening cooperation between the member countries and planning systematically for consistency and coherence.
2) The **BIMSTEC charter** was finalised after more than two decades. It articulates the purpose, principles, legal standing and regular meeting of the organisation. It stipulates that **consensus** is required for **admission of new members** and increasing the **number of observer countries** of the organisation.
3) The **Master Plan for Transport Connectivity** has been adopted. It has been proposed to extend the **trilateral highway project** between Thailand, Myanmar and India to Laos and Cambodia. Further, Bangladesh, Bhutan and Nepal have also shown interest in the project. These measures will ensure seamless connectivity through **multi-modal channels**. It will deepen cooperation in the region.

The organization has proposed to conclude the **regional free trade agreement**. It will give a fillip to the organisation's efforts. The MoU has been signed for **legal assistance in criminal matters**. Further,

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additional MOUs have been signed for mutual cooperation between **diplomatic academics** and **training institutes**. An **Eminent Persons' Group (EPG**) is to be established on the lines of the **EU, G20, and ASEAN**. It will formulate a vision document for the region. It will suggest a roadmap to address the challenges in the future.
Source: https://blog.forumias.com/fulfilling-the-potential-of-the-bay-of-bengal-community/

Q.26) Which of the following is the most appropriate explanation of the term 'Tax Multiplier'?
a) It is a measure of effect of government spending on the GDP of the country.
b) It is a measure of the effect of change in tax rates on the GDP of the country.
c) It is a measure of the effect of tax rates on the personal disposable income of a person.
d) It is the impact of the number of multiple taxes on the prices of goods and services.

Ans) b
Exp) Option b is the correct answer.
Option a is incorrect A **fiscal multiplier** measures the effect that increases in **government spending** will have on a real Gross Domestic Product (**GDP**).
Option b is correct. Tax multiplier is a measure of the **effect of tax rates on the real GDP of the country.** A tax cut (increase) will cause an increase (reduction) in consumption and output. It is **always less than fiscal multiplier** because an increase in government spending directly affects total spending whereas tax multiplier enters the picture only through their impact on **disposable income**, which influences household consumption.
Option c is incorrect. The i**ncome tax rate** will either increase or decrease the personal disposal income. **Higher the tax rate, lower the personal disposable income and vice versa**. Going by the definition of tax multiplier it is incorrect as it is **restricted to individual income.**
Option d is incorrect. The impact of multiple taxes on the prices of goods and services is known as **cascading of taxes.**
Source: 12th NCERT Introductory Macroeconomics (pg no 73,74)

Q.27) With reference to Deficit financing, consider the following:
Assertion(A): The deficit financing by government necessarily leads to higher inflation in the country.
Reason(R): Deficit financing leads to a situation where aggregate demand may exceeds aggregate supply in an economy.
Which of the options given below is correct?
a) Both A and R are correct and R is the correct explanation of A
b) Both A and R are correct but R is not the correct explanation of A
c) A is true but R is false
d) A is false but R is true

Ans) d
Exp) option d is the correct answer.
Assertion(A) is incorrect. Deficit financing (budget deficit) by the government **raises the aggregate demand** in the economy because of easy availability of money. It might create an inflationary situation as **too much money is chasing a few goods. However,** if the **government policy** is framed in a manner that **raises the total output** of the economy or **releases the unutilised potential** of the economy then the inflation may not occur. **So, A is not correct because of the word "necessarily"**
Reason(R) is correct. As deficit budgeting infuses **more money** into the economy it leads to a situation of **excess of aggregate demand over aggregate supply.**
Source: 12th NCERT Introductory macroeconomics (pg no 78)

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Q.28) With reference to the Off-budget Borrowings, consider the following statements:
1. These are the loans that public sector undertakings take on behalf of the Union Government.
2. These constitute one of the largest items in the fiscal deficit of the Government.
3. Repayment of principal and interest of such borrowings is done from the Central Government Budget.
Which of the statements given above is/are correct?
a) 1 only
b) 1 and 3 only
c) 3 only
d) 1, 2 and 3

Ans) b
Exp) Option b is the correct answer.
Statement 1 is correct and 2 is incorrect: Off-budget borrowings are loans that are taken not by the Centre directly, but by **another public institution, like** public sector undertakings, **which borrow on the directions of the central government. These also include the deferred payments of bills and loans by the Centre.** These items constitute off-budget borrowings because these loans and deferred payments are not part of fiscal deficit calculations. **Off budget borrowings is not counted in the calculation of fiscal deficit.** This helps keep the country's fiscal deficit within acceptable limits.
Statement 3 is correct: Off-budget Borrowings are those financial liabilities that are raised by public sector undertakings for which repayment of entire principal and interest is done from the Central Government Budget.
Such borrowings are made by state-owned firms to fund government schemes but are not part of the official budget calculations.
This means that though the borrowing is not a part of the consolidated fund of India, the interest payment for such borrowings is made out of the consolidated fund.
Extra Budgetary Resources (EBR) are taken into account while calculating the Government Debt
Source: https://indianexpress.com/article/explained/why-govt-borrows-off-budget-and-how-7162925/

Q.29) Consider the following statements with reference to the Gender responsive budgeting:
1. India started releasing a Gender Budget along with the Union Budget since 2005-2006.
2. All the states and union territories in India have adopted a gender-responsive budgeting.
3. Since its introduction, the share of Gender responsive budget has been below 10% of the total expenditure of Union government.
Which of the statements given above is/are correct?
a) 1 only
b) 1 and 3 only
c) 2 and 3 only
d) 1, 2 and 3

Ans) b
Exp) Option b is the correct answer.
Gender Budgeting is a powerful tool for achieving gender mainstreaming so as to ensure that benefits of development reach women as much as men. It is not an accounting exercise but an on-going process of keeping a gender perspective in policy/ programme formulation, its implementation and review. Gender Budgeting entails dissection of the Government budgets to establish its gender differential impacts and to ensure that gender commitments are translated in to budgetary commitments.

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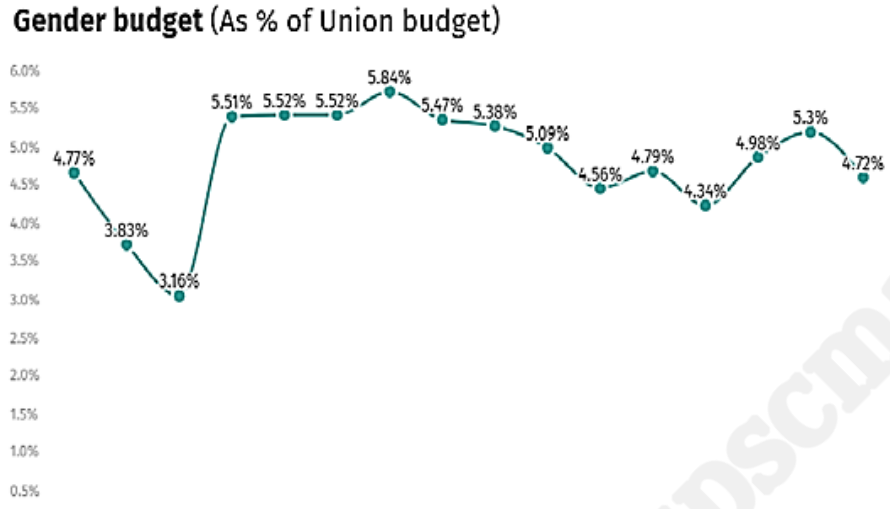
Statement 1 is correct: **India started releasing a Gender Budget along with the Union Budget in 2005-06.** The Gender Budget has two parts: **Part A** includes schemes with 100 per cent allocation for women such as the widow pension scheme, girls' hostel scheme and maternity benefit scheme; and **Part B** with schemes allocating at least 30 per cent of funds for women, such as the mid-day meals programme, the rural livelihoods mission and the biogas programme. Since its inception, the gender budget has been **dominated by allocations under Part B**, accounting for at least two-thirds of the total Gender Budget.

Statement 2 is incorrect: In India, many crucial sectors such as health and education are funded by both central and state governments. **At least 16 states in India have adopted gender-responsive budgeting (and not all the states in India) and introduced schemes benefitting women**, **which are included in the state budgets**. These allocations do not get counted in the Union Gender Budget statement.

Statement 3 is correct: The direction provided by India's 2022-23 budget predominantly focuses on stimulating growth, with several new initiatives launched to place the country on a well-defined path of economic recovery. But unfortunately, despite the country's big vision, the quantum of **this year's gender budget, like previous years, has continued to remain below six per cent of the total expenditure and less than one per cent of the gross domestic product (GDP).** However, as a proportion of total expenditure, the gender budget has **declined from 4.4 per cent to 4.3 per cent for 2022-23**. This is despite the 4.72 per cent of the total expenditure allocated to women's programmes in the pre-pandemic era of 2020.



Source: https://www.business-standard.com/budget/article/what-india-s-gender-budgets-have-achieved-121012500149_1.html
https://wcd.nic.in/gender-budgeting

Q.30) Recently, Reserve Bank of India (RBI) has introduced the Standing Deposit Facility (SDF). In this context, which one of the following correctly describe the purpose of Standing Deposit Facility?
a) It is a facility through which banks can borrow an additional amount of overnight money from RBI.
b) Under this facility, banks can take out one-year and three-year loans at the same one-day repo interest rate.
c) It will allow the RBI to absorb excess liquidity from commercial banks without giving government securities in return to the lenders.
d) It will include the outright purchase of government securities for the purpose of injecting long-term liquidity.

Ans) c
Exp) Option c is the correct answer.

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The Reserve Bank of India (RBI) has introduced the Standing Deposit Facility (SDF), an additional tool for absorbing liquidity, at an interest rate of 3.75%.
The **standing deposit facility** allows the RBI to **absorb excess cash from the economy** by sucking liquidity from **commercial banks without giving government securities in return** to the lenders. The RBI has fixed the SDF rate at 3.75 per cent.
Under the SDF, the banks can place **deposits with the RBI on an overnight basis**. The RBI, however, retains the flexibility to absorb liquidity for longer tenors under the SDF with appropriate pricing, as and when the need arises. All liquidity adjustment facility (LAF) participants will be eligible to participate in the SDF scheme, according to the RBI's website.
The extraordinary liquidity measures undertaken in the wake of the pandemic combined with the liquidity injected through various other operations of the RBI have left a liquidity overhang of the order of Rs 8.5 lakh crore in the system. This has pushed up the retail inflation level in the system.
Hence, that's why SDF has been introduced. It will help **reduce the excess liquidity in the system** and also **control inflation**.
Source: RBI Standing Deposit Facility: Is It The Same as Reverse Repo Rate? (news18.com)
https://blog.forumias.com/explained-what-is-sdf-the-rbis-new-tool-to-absorb-excess-liquidity-to-control-inflation/

Q.31) If a commodity is provided free to the public by the Government, then
a) the opportunity cost is zero.
b) the opportunity cost is ignored.
c) the opportunity cost is transferred from the consumers of the product to the tax-paying public.
d) the opportunity cost is transferred from the consumers of the product to the Government.

Ans) c
Exp) Option c is the correct answer.
Opportunity cost is the forgone benefit that would have been derived by an option not chosen. For example, If you decide to spend two hours studying on a Friday night. The opportunity cost is that you cannot have those two hours for leisure.
When a commodity is provided free to the public by the government then the opportunity cost is transferred to the tax-paying public.
Source) UPSC CSE Pre 2018

Q.32) With reference to the Indian Economy, consider the following statements:
1. Tax avoidance is any legal method used by a taxpayer to minimize the amount of tax owed to the government.
2. Tax evasion is an illegal way to minimize tax liability done by making a false declaration to tax authorities.
3. Tax terrorism is harassing of tax payers by the government to pay unreasonable taxes through legal means.
Which of the statements given above is/are correct?
a) 1 and 2 only
b) 3 only
c) 2 and 3 only
d) 1, 2 and 3

Ans) d
Exp) Option d is the correct answer.

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Statement 1 is correct: Tax avoidance is any legal method used by a taxpayer to minimize the amount of income tax owed. Individual taxpayers and corporations can use forms of tax avoidance to lower their tax bills. Tax credits, deductions, income exclusion, and loopholes are forms of tax avoidance.

Statement 2 is correct: Tax Evasion is an **illegal way to minimize tax liability** through fraudulent techniques usually by deliberately making a **false declaration** or no declaration to tax authorities – such as by declaring less income, profits or gains than the amounts actually earned, or by overstating deductions.

Statement 3 is correct: Tax terrorism is **a way to terrorise honest taxpayers to pay unreasonable taxes but through legal means**. Government of India levied taxes on big corporate houses through retrospective amendment in taxation laws which leads to harassing of tax payers. (Vodafone and Cairn Cases were cited as instances of tax terrorism by legal experts).

Knowledge Base: Tax planning is process of **analyzing one's financial situation** in the most efficient manner. Through tax planning one can **reduce one's tax liability**. It involves planning one's income in a legal manner to avail various exemptions and deductions. Under **Section 80C**, one can avail tax deduction if specific investments are made for a specific period up to a **limit of Rs 1, 50,000**. The most popular ways of saving tax are investing in **PPF accounts**, **National Saving Certificate**, Fixed Deposit, Mutual Funds and Provident Funds.

Source: https://www.thehindubusinessline.com/opinion/columns/all-you-wanted-to-know-about-tax-terrorism/article64539634.ece
https://www.transparency.org/en/corruptionary/tax-evasion
https://www.investopedia.com/terms/t/tax_avoidance.asp

Q.33) With reference to India's public debt profile, consider the following statements:
1. The commercial borrowing is the largest component of India's total external debt.
2. US dollar denominated debt is the largest component of India's external debt.
3. India's public debt as a percent of GDP has been continuously rising during last decade.
4. Central government's external debt is higher than its internal debt.

Which of the statements given above are correct?
a) 1 and 2 only
b) 2 and 4 only
c) 1 and 3 only
d) 2, 3 and 4 only

Ans) a

Exp) Option a is the correct answer.

Statement 1 is correct: The **commercial borrowing is the largest component** of India's total external debt followed by **NRI deposits and Short term credit.** The share of **long term credit** in India's external sector debt profile is **higher** than that of **short term credit**.

(The below tabular column need not to be memorised)

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Table 8: External Debt Outstanding

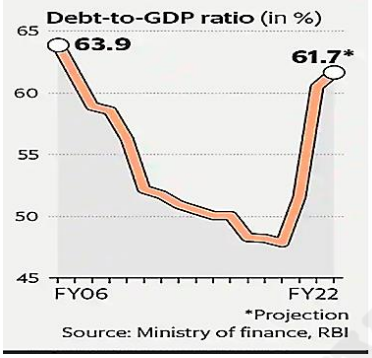
(US$ billion)

		Dec-19	Mar-20	Jun-20	Sep-20 PR	Dec-20 PR	Mar-21 PR	Jun-21 PR	Sep-21 P
1.	Multilateral	60.2	59.9 (-0.4)	64.7 (8.0)	67.0 (3.6)	68.1 (1.6)	69.7 (2.5)	70.2 (0.6)	71.4 (1.7)
2.	Bilateral	27.3	28.1 (2.9)	28.5 (1.6)	29.3 (2.7)	30.5 (4.3)	30.9 (1.3)	30.8 (-0.5)	30.9 (0.5)
3.	International Monetary Fund	5.5	5.4 (-1.3)	5.5 (0.8)	5.6 (2.3)	5.7 (2.3)	5.6 (-1.6)	5.7 (0.6)	23.3 (310.8)
4.	Trade Credit	6.9	7.0 (1.9)	6.8 (-2.6)	7.0 (2.8)	6.5 (-7.5)	6.3 (-3.1)	5.7 (-8.8)	5.6 (-1.7)
5.	Commercial Borrowings	223.1	219.5 (-1.6)	211.0 (-3.9)	206.8 (-2.0)	207.9 (0.5)	213.1 (2.5)	213.4 (0.2)	218.8 (2.5)
6.	NRI Deposits (above one-year)	133.1	130.6 (-1.9)	132.7 (1.6)	137.3 (3.4)	140.5 (2.3)	141.9 (1.0)	141.5 (-0.3)	141.6 (0.0)
7.	Rupee Debt	1.1	1.0 (-5.2)	1.0 (-5.2)	1.0 (2.0)	1.0 (0.9)	1.0 (-2.2)	1.0 (-0.8)	1.0 (-1.6)
8.	Total Long-Term Debt (1 to 7)	457.2	451.6 (-1.2)	450.2 (-0.3)	454.0 (0.8)	460.2 (1.4)	468.5 (1.8)	468.3 (-0.1)	492.5 (5.2)
9.	Short-term Debt	106.8	106.9 (0.1)	105.0 (-1.7)	102.8 (-2.1)	103.5 (0.7)	101.1 (-2.4)	102.5 (1.4)	100.6 (-1.9)
9a.	Trade Related Credits	102.4	101.4 (-1.0)	101.2 (-0.2)	99.4 (-1.8)	99.6 (0.2)	97.3 (-2.4)	99.2 (2.0)	97.4 (-1.8)
	Total (8+9)	**564.0**	**558.4 (-1.0)**	**555.2 (-0.6)**	**556.8 (0.3)**	**563.8 (1.3)**	**569.6 (1.0)**	**570.8 (0.2)**	**593.1 (3.9)**

Source: RBI, Ministry of Finance, Staff calculations

Statement 2 is correct: As far as currency composition of external debt is concerned, **US dollar** denominated debt remained the **largest** component of India's external debt, **with a share of 53.2** percent at end-March 2022, followed by the **Indian rupee (31.2 per cent), SDR (6.6 per cent), yen (5.4 per cent), and the euro (2.9 percent).**

Statement 3 is incorrect. Public debt of India is **not steadily** rising in the last decade. Outstanding debt is the accumulation of borrowings over the years. Outstanding debt of the government **decreased from 66.7% of GDP in 2004-05 to 48% of GDP in 2018-19**.



Statement 4 is incorrect. Central governments **external debt is lower** than the internal debt. However, the external debt to GDP ratio increased to 21.1 per cent at end-March 2021 from 20.6 per cent at end-March 2020. Over the years, the Union government has followed a considered strategy to reduce its dependence on foreign loans in its overall loan mix.

Source: Economic survey (pg no 108)

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https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53948#:~:text=US%20dollar%20denominated%20debt%20remained,euro%20(2.9%20per%20cent).

Q.34) With reference to the PM Ghati Shakti scheme, consider the following statements:
1. It aims to bring convergence among the various infrastructure schemes launched by both the Union and state governments.
2. The PM Ghati Shakti Digital portal facilitates the electronic transfer of funds from one department to another.
3. The scheme uses the Spatial technology and Geographic Information system to enhance the infrastructure planning in the country.
Which of the statements given above is/are correct?
a) 1 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Ans) c
Exp) option c is the correct answer.
Statement 1 is correct: PM Gati Shakti will **incorporate the infrastructure schemes of both Union and State Governments** like **Bharatmala, Sagarmala,** inland waterways, dry/land ports, UDAN etc. **Economic Zones** like textile clusters, pharmaceutical clusters, defence corridors, electronic parks, industrial corridors, fishing clusters, agri zones will be covered to improve connectivity & **make Indian businesses more competitive.**
Statement 2 is incorrect: The PM Ghati Shakti digital portal **brings 16 Ministries together for integrated planning and implementation** of infrastructure connectivity projects. The objective is to ensure that all departments have visibility of each other's activities providing critical data while planning & execution of projects in a comprehensive manner. **It has nothing to do with financial transactions so statement 2 is incorrect.**
Statement 3 is correct: The PM Ghati Shakti will also leverage **spatial planning tools with ISRO imagery developed by BiSAG-N (Bhaskaracharya National Institute for Space Applications and Geoinformatics)**. Ministries such as **agriculture, fisheries, animal husbandry**, dairying, schools, and higher education, and health will now have to **upload their Geographic Information System (GIS) data** of new infrastructure on Gati Shakti portal. This move will ensure that there is better planning of large infrastructure projects.
Source: https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1763638

Q.35) Consider the following statements:
Statement 1: Murshidabad in West Bengal has become the first Indian city to become a member of the Global Silk City Network.
Statement 2: The city of Murshidabad is well known for the production of fine silk, which started as early as eighteenth century.
Which one of the following is correct in respect of the above statements?
a) Both Statement 1 and Statement 2 are correct and Statement 2 is the correct explanation of Statement 1.
b) Both Statement 1 and Statement 2 are correct but Statement 2 is not the correct explanation of Statement 1.
c) Statement 1 is correct but Statement 2 is incorrect.
d) Statement 1 is incorrect but Statement 2 is correct.

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Ans) d

Exp) Option d is the correct answer.

Silk Cities Initiative is an independent professional and academic initiative for contextual knowledge exchange, research and advocacy. Global Silk City Network helps artisans and craftsmen to exchange knowledge, build trade relations and understand various craftsmanship techniques. Currently, 13 best silk-producing cities and nine countries are members of this network.

Statement 1 is incorrect: Bengaluru has become the **first Indian city** to become a member of the Global Silk City Network. There are historical reasons why Bengaluru has been included in the Silky City Network. The International Sericultural Commission was held at Lyon in the 1950s and came to Bengaluru in 2013. Also, Bengaluru is the Silicon Valley of India and Lyon has a big cluster of innovation and IT.

Statement 2 is correct: West Bengal's Murshidabad district – known to produce fine silk over the past 300 years – may join the Global Silk City Network in future. The history of silk weaving in Murshidabad goes back to the **early eighteenth century during the Mughal rule**, when the Nawab of Bengal, Murshid Quli Khan, shifted his capital from Dhaka to a town on the east of the Bhagirathi River and named it Murshidabad.

Source: https://blog.forumias.com/bengaluru-joins-global-network-of-silk-cities/

Q.36) With reference to the Credit Guarantee Fund Trust for Micro and Small Enterprises, consider the following statements:

1. It is a joint initiative of Ministry of Micro, Small & Medium Enterprises and Industrial Development Bank of India (IDBI).
2. Currently, the scheme is being implemented through Scheduled Commercial Banks only.

Which of the above statements is/are correct?

a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

Ans) d

Exp) Option d is the correct answer.

Statement 1 is incorrect: Credit Guarantee Fund Trust for Micro and Small Enterprises **(CGTMSE) is jointly** set up by **Ministry** of Micro, Small & Medium Enterprises (**MSME**), Government of India and Small Industries Development Bank of India (**SIDBI) to make collateral free credit facilities available to MSEs (Micro & Small Enterprises).** Credit Guarantee Fund Trust for Micro and Small Enterprises **is not formed in association with IDBI.**

SIDBI set up on 2nd April 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for **Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector as well as for co-ordination of functions of institutions engaged in similar activities.**

Statement 2 is incorrect: The Scheduled Commercial Banks are not the only lending institution under this scheme. The institutions which are eligible for lending under the scheme included scheduled commercial banks, select Regional Rural Banks, National Small Industries Corporation Ltd., North Eastern Development Finance Corporation Ltd. and SIDBI.

Knowledge Base:

Industrial Development Bank of India was established in 1964 as, a development finance institution, which provided financial services to industrial sector. It is under the **ownership of Life Insurance Corporation of India and Government of India.**

Source: https://www.cgtmse.in/

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Q.37) With reference to different types of taxes and their description, consider the following pairs:

Type of Tax	Description
1. Ad Valorem Tax	A tax assessed on the total value of the item
2. Tobin Tax	A Duty on spot currency trades
3. Pigouvian Tax	A tax on businesses that create products with negative effects on society
4. Transfer Tax	A tax on capital gains from the sale of long term financial instruments

Which of the pairs given above are correct?
a) 1, 2 and 3 only
b) 2, 3 and 4 only
c) 1, 3 and 4 only
d) 1, 2, 3 and 4

Ans) a
Exp) Option a is the correct answer.
Pair 1 is correct: The Latin phrase **ad valorem** means "**according to value.**" So all ad valorem taxes are based on the **assessed value** of the item being taxed. An example for ad valorem tax is imposition of 28% GST on luxury cars. Here, if the price of a car is Rs 10 lakh, the GST amount will be Rs 2.8 lakhs
Pair 2 is correct: Tobin Tax is a concept of taxing **spot transactions (speculative)** on **currencies** in **forex trading** on the stock market so as to **discourage speculation** and **promote currency stability** which is important for the real economy. The Tobin tax is sometimes referred to as the **Robin Hood tax**, as many see it as a way for governments to take small amounts of money from the people making large, short-term currency exchanges.
Pair 3 is correct: Pigouvian Tax or **Sin Tax** is a duty assessed on **businesses** that create **services or products** like **liquor, tobacco products, coal mining**, etc which have a**dverse effects** on **society** like **environmental pollution**, **damage to public health**, etc, whose **price** of these **externalities** has **not been included** in the sale price of the product. A **carbon emissions tax** or a tax on plastic bags are examples of Pigovian taxes.
Pair 4 is incorrect: Transfer Tax charge levied on the **transfer of ownership or title to property** from one individual or entity to another.
A t**ax on capital gains** from sale of **long term financial instrument**s is a **part** of **Long Term Capital Gains (LTCG) tax**.
Source: https://www.investopedia.com/terms/a/advaloremtax.asp
https://www.investopedia.com/terms/t/tobin-tax.asp
https://www.investopedia.com/terms/p/pigoviantax.asp.
https://www.investopedia.com/terms/t/transfertax.asp

Q.38) Which of the following statement is correct about the newly announced e-Passport?
a) It is fitted with microchip that carries the biometric information of a passport holder
b) The Government have asked all the physical passport holders to mandatorily switch to e-passport before 2030

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c) It has a data security/leakage risk compared to physical passport.
d) The implementation of this initiative is likely to create departmental silos within government.

Ans) a
Exp) Option a is the correct answer.
The **Ministry of External Affairs** signed an agreement with **Tata Consultancy Services (TCS)** Limited for the second phase of the **Passport Seva Programme PSP-V2.0.** The agreement envisages issuing a **e passport** to the citiznens.
Option a is correct: Under this e passport system, new and renewed passports will be fitted with a **microchip** that will hold **all biometric information regarding the applicants.**
Option b is incorrect: The government said that obtaining an **e passport is voluntary.** Government had announced **no policy of replacing** the old passport with this new e-passport.
Option c is incorrect: Current passports are scanned at the immigration counters to reveal the travel record of the citizen. But the **e-passport users will have physical storage of their biometric data** in a chip which will **reduce risk of data leakage**.
Option d is incorrect: Silos occur when barriers exist **preventing the interdepartmental sharing** of knowledge. The implementation of this scheme will likely to result in **creating a more effective integration (not silos) between various wings of the Governmen**t like the MEA and the local police network that can work in harmony for verification of applicants and **quick tracing in case of emergency situations.**
Source: https://www.thehindu.com/news/national/explained-india-headed-for-e-passports-government-plans-ambitious-expansion-of-digital-network-and-passport-offices/article38202783.ece

Q.39) Arrange the following taxes in decreasing order of their contributions towards the total tax revenue of the Union Government in FY 2021-22:
1. Corporation Tax
2. Goods and Services Tax
3. Excise duties
4. Custom duties
Select the correct answer using the code given below:
a) 1-2-3-4
b) 1-2-4-3
c) 2-3-4-1
d) 2-1-3-4

Ans) d
Exp) Option d is the correct answer.
Option 2: Goods and services tax is an **indirect tax** levied on the supply of goods and services. It is a destination-based tax. It has subsumed almost all the indirect taxes except a few state taxes. GST contribution to total gross tax revenue is **29%**
Option 1: Corporation tax is a **direct tax** imposed on the net income or profit that enterprises make from their businesses. Its contribution is **around 25%.**
Option 3: Excise duty is an **indirect tax** applied to goods manufactured domestically in the country, while Customs is levied on those coming from outside of the country. Its share in total gross tax revenue is **15%**
Option 4: Customs duty is the **indirect tax** imposed on goods when they are transported across international borders. Otherwise, it is the tax that is levied on the import and export of goods. Its share in total gross tax revenue is **6%**

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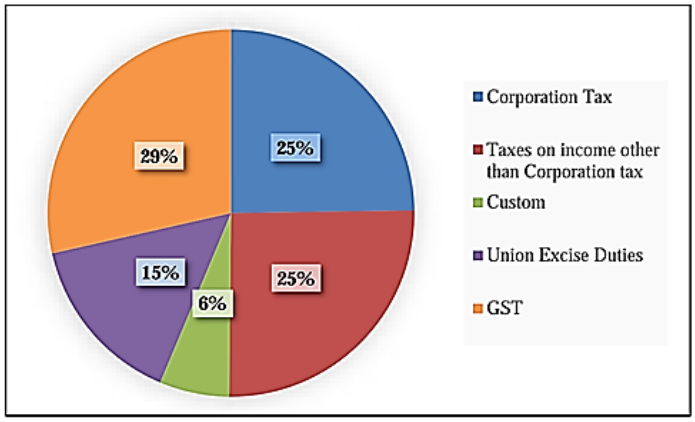
Figure 14: Composition of taxes in Gross Tax Revenue in 2021 -22 BE



Source: Union Budget Documents

Source: Economic Survey 2022 (pg no 57)

Q.40) The World Food Price Index, 2022 is released by which among the following organizations?
a) World Economic Forum
b) International Fund for Agricultural Development (IFAD)
c) United Nation World Food Programme
d) Food and Agriculture Organization (FAO)

Ans) d

Exp) Option d is the correct answer.

Food and Agriculture Organization's (FAO) **World food price Index** averaged 159.3 points in March 2022 breaking an earlier record of 137.6 points scaled 11 years ago in February 2011.

World Food Price Index is released by **Food and Agriculture Organization (FAO)** since 1996.

It aims to help in monitoring the developments in the global agricultural commodity markets. The index is a **measure of the monthly change in international prices of a basket of food commodities**. It consists of the average of five commodity group price indices. Such as cereal, vegetables, dairy, meat and sugar. Also, these five indices are given weightage based on the average export shares. The Base Year of the index is 2014-16.

Reasons for World Food Price index at an all-time high:

1) The World Food Price Index has shown huge volatility in the last two years due to the Covid-19 pandemic and now the Russia-Ukraine war.
2) The index had crashed to a four-year low in 2020 due to demand destruction triggered by pandemic-induced lockdowns across countries.
3) But as demand returned with governments lifting economic activity and movement restrictions, supply chain disruptions came to the fore. These disruptions worsened after the port closures in the Black Sea and Azov Sea, plus Russian banks being cut off from the international payments system.

Source: https://blog.forumias.com/fao-food-prices-record-high-due-to-ukraine-war-disruptions/

Q.41) What is the difference between "vote-on-account" and "interim budget"?
1. The provision of a "vote-on-account" is used by a regular Government, while an "interim budget" is a provision used by a caretaker Government
2. A "vote-on-account" only deals with the expenditure in Government budget, while an "interim budget" includes both expenditure and receipts.

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Select the correct answer using the code given below:
a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

Ans) b
Exp) Option b is the correct answer.
Statement 1 is incorrect. Vote on account and interim budget can be presented by both the regular government and the caretaker government.
An interim budget is presented by the government when it does not have time to present a full budget. Mostly, it is because the general election is around the corner.
Vote-on-Account is a special provision by which the government obtains Parliament's approval for funds sufficient to incur expenditure for a part of the year (till the formation of a new government) enabling it to incur expenses till a full budget is prepared.
Vote-On-Account represents the expenditure side of the government's budget while general budget includes both income and expenditure in the form of Financial and Appropriation Bill.
Statement 2 is correct. A "vote-on-account" only deals with the expenditure in Government budget, while an "interim budget" includes both expenditure and receipts. Vote on account is just an interim permission to spend money as against an interim Budget which is an elaborate financial statement of expenditure and receipts including changes in taxes and government policies.
Source) UPSC CSE Pre 2011

Q.42) Which among the following is/are the possible consequences of external debt default by a country?
1. It can cause a devaluation of the domestic currency of the country.
2. It can make the imports expensive and the exports cheaper for the country.
3. It can cause a substantial rise in interest rates.
4. It will make the country more attractive to foreign investors.
Select the correct answer using the code given below:
a) 1, 2 and 4 only
b) 1 and 2 only
c) 3 only
d) 1, 2 and 3 only

Ans) d
Exp) Option d is the correct answer.
Sovereign debt is debt created when a country borrows money and creates bonds in a currency other than its own. It is also called National Debt. Sovereign debt is at higher risk for sovereign default because the government cannot inflate or print its way out of the debt.
Sovereign default is the failure by a government to repay its national debts.
Consequences of Sovereign Defaults :
1) First, and possibly worst, **the sovereign's currency will be devalued**, making it less acceptable to others. **(Hence, Statement 1 is correct)**
2) **It will make imported goods more expensive**, and in general hurting the economy of the defaulting country. On the other hand, goods and services in the defaulting country become cheaper for visitors **using other currencies which may lead to increases in exports and tourism. (Hence, Statement 2 is correct)**

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3) The **interest rates will increase** exponentially on many mortgages, car loans, and student/business loans, resulting in substantially less disposable income to spend on goods and services, which could ultimately lead to a recession. **(Hence, Statement 3 is correct)**
4) The country becomes **less attractive to investors**, and it will become **difficult for the state to access new funds from the international bond market. (Hence, Statement 4 is incorrect)**

Source: https://www.investopedia.com/terms/s/sovereign-default.asp
https://www.outlookindia.com/business/what-happens-when-a-country-defaults-on-its-debts-news-191946

Q.43) Consider the following comparison between the Central Sector Scheme and Centrally Sponsored Scheme:
1. Central Sector Schemes are implemented by the Central government while the Centrally Sponsored Schemes are implemented by the State governments.
2. Central Sector Scheme is formulated on subjects mentioned in Union list only while the Centrally Sponsored Scheme is formulated on subjects mentioned in State list only.
3. Central Sector Scheme is fully funded by the Central government while the Centrally Sponsored Scheme is divided between the Centre and States.
4. MGNREGA is a Central Sector Scheme while Pradhan Mantri Mudra Yojana is a Centrally Sponsored Scheme.
Which of the statements given above are correct?
a) 1 and 3 only
b) 2 and 4 only
c) 1, 2 and 3 only
d) 3 and 4 only

Ans) a
Exp) Option a is the correct answer.
Central welfare schemes, implemented by the government to provide financial and other aids to individuals who cannot support themselves, can be categorized into two sections – centrally sponsored schemes and central sector schemes.
Statement 1 is correct: Central Sector Schemes are the government schemes which are designed, planned and **implemented** by the **Central government.** Whereas the implementation of **Centrally Sponsored Schemes** is made under the **union territory or state government.**
Centrally Sponsored Schemes (CSS) are implemented by state governments of India but are largely funded by the Central Government with a defined State Government share.
Statement 2 is *incorrect*: Central Sector Scheme is formulated mainly on subjects in **Union List** while the **Centrally Sponsored Scheme** focuses on subjects in **State List. Centrally Sponsored Scheme** may also be formed for Concurrent List.
Statement 3 is correct: Central Sector Schemes are the schemes that are **entirely and directly funded** by the **Central government**. Whereas **Centrally Sponsored Scheme** is divided into three parts (a) core of the core (b) core and (c) optional. These are divided on the basis of the financial involvement of the states.
Statement 4 is *incorrect*: Pradhan Mantri Mudra Yojana is a **Central Sector Scheme** while the **MGNREGA** is a **Centrally Sponsored Scheme**. The MGNREGA scheme which comes under the core of the core group will see the state pooling in 25% of funds whereas the rest is taken care of by the Centre.
Source: https://www.aisect.org/blog/blog_detail/The-Difference-Between-Central-Sector-Schemes-and-Centrally-Sponsored-Schemes
http://www.arthapedia.in/index.php?title=Central_Sector_and_Centrally_Sponsored_Schemes
https://www.business-standard.com/about/what-is-centrally-sponsored-schemes
https://ganderbal.nic.in/service/centrally-sponsored-schemes/

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Q.44) Which of the following will most likely result in an addition to non-tax revenue receipts of the Government of India?
1. Receiving external grants
2. Taking loans from the market
3. Payment of interest by state government on loans received from Union Government
4. Fees and fines received by the Union government
5. Buying assets in the foreign territory by the Government of India

Select the correct answer using the code given below:
a) 1, 3 and 4 only
b) 2, 3 and 5 only
c) 1, 2 and 3 only
d) 3, 4 and 5 only

Ans) a

Exp) Option a is the correct answer.

Non-Tax Revenue is the income earned by the government from sources other than taxes.

It consists mainly of **interest receipts** on loans to States and Union Territories**, dividends and profits from Public Sector Enterprises** including surplus of **Reserve Bank of India transferred** to Government of India, and **external grants and receipts for services** provided by the Central Government. These services include **fiscal services** like currency, coinage and mint, **general services** such as Public Service Commission and police**, social services** like education and health, and **economic services l**ike irrigation, transportation and communication

Option 1 is correct: As receiving grants is considered as **revenue** of the government because the government is under **no obligation to repay it**. Also, it is **non tax revenue because it is coming from the source other than the tax.**

Option 2 is incorrect: Revenue receipts are essentially a **one-way transaction** I.e. need not be paid back by the receiver. Hence **loans are not classified even as revenue receipts** therefore it is **not a non-tax revenue. Loans are classified as debt capital receipts.**

Option 3 is correct: The State government paying **interest rate** on the loan it got from the union government or **repaying the principal amount** is a non-tax revenue for the Union Government.

Option 4 is correct: Fees, Penalties and fines received by the Union government are part of non-tax revenue.

Option 5 is incorrect: Buying assets in foreign government means an outflow of revenue so it cannot be considered as revenue. It is considered as **capital expenditure.**

Source: Economic Survey (pg no 58)
Indian Economy Key concepts Chapter Public Finance (pg no 62 to 66)

Q.45) With reference to 'Indian Purple Frog', consider the following statements:
1. The distribution of the frog is limited to the North Eastern states of Assam and Meghalaya.
2. It has one of the oldest lineages among all living frogs on Earth.
3. It is a species that mostly lives underground.

Which of the statements given above is/are correct?
a) 1 and 2 only
b) 2 only
c) 2 and 3 only
d) 1 and 3 only

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Ans) c

Exp) Option c is the correct answer.

New research has been conducted by a biologist on Purple Frog. The purple frog (Nasikabatrachus sahyadrensis), Indian purple frog or pignose frog is a frog species of the genus Nasikabatrachus.

Statement 1 is incorrect: Indian Purple Frog was first discovered in 2003 in the Idukki district of Kerala by S.D. Biju from the Tropical Botanic Garden and Research Institute, India and Franky Bossuyt from Brussels. The frog is **endemic to the Western Ghats**. Its distribution limited mainly to **Kerala and some parts of Tamil Nadu**.

Statement 2 is correct: The purple frog is a unique animal. This frog has an evolutionary history that goes back 120 million years. This is **one of the oldest lineages among all living frogs on Earth**. Species with such old lineages are termed a 'living fossil'.

Statement 3 is correct: The Indian Purple Frog is a fossorial species-that lives **underground emerging just once a year**. It has physical adaptations that help it survive in such extreme conditions. Its breeding activity coincides with pre-monsoon showers. The male frogs take their cue from these and emerge from their burrows to call potential partners – these calls can be heard up to 100 meters away. These animals are very sensitive to disturbances. Any interference with their calling behaviour withdraws them into their burrows.

Source: https://blog.forumias.com/the-purple-frogs-lineage-is-120-million-years-old-it-has-seen-earth-itself-evolve/

Q.46) With reference to the SMILE scheme, consider the following statements:

1. It is a Central Sector Scheme.
2. It aims to promote the rehabilitation of persons engaged in begging.
3. It provides scholarships for transgender students.
4. It will be implemented by the government with the help of Voluntary Organizations.

Which of the statements given above are correct?

a) 1, 2 and 4 only
b) 1 and 3 only
c) 2, 3 and 4 only
d) 1, 2, 3 and 4

Ans) d

Exp) Option d is the correct answer.

SMILE stands for Support for Marginalised Individuals for Livelihood and Enterprise. It aims to provide welfare and rehabilitation to the Transgender community and the people engaged in the act of begging.

Statement 1 is correct: SMILE scheme is a **Central Sector Scheme**. So, it is **100% funded** by the **Central government.** The two sub-schemes of SMILE are:

1) Central Sector Scheme for Comprehensive Rehabilitation for Welfare of Transgender Persons
2) Comprehensive Rehabilitation of persons engaged in the act of Begging.

Statement 2 is correct: The sub-scheme Comprehensive **Rehabilitation of persons engaged in the act of Begging** provides for welfare and **rehabilitation** to the **people engaged in the act of begging.**

Statement 3 is correct: The sub-scheme **Central Sector Scheme for Comprehensive Rehabilitation for Welfare of Transgender Persons** provides for:

1) Scholarships for Transgender Students studying in IX and till post-graduation to enable them to complete their education.
2) **Skill Development** and **Livelihood under the PM-DAKSH scheme.**
3) Composite Medical Health and Housing facility in the form of 'Garima Greh'

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4) Provision of Transgender Protection Cell in each state will monitor cases of offences and ensure timely registration, investigation and prosecution of offences.
5) Creating a National Portal & Helpline.

Statement 4 is correct: This umbrella scheme would cover several comprehensive measures including welfare measures for both transgender persons and persons who are engaged in the act of begging with focus extensively on rehabilitation, provision of medical facilities, counseling, education, skill development, economic linkages etc with the support of **State Governments**/UTs/Local Urban Bodies, **Voluntary Organizations**, **Community Based Organizations** (CBOs) and institutions and others.

Knowledge Base: The sub-scheme Comprehensive **Rehabilitation of persons engaged in the act of Begging** provides for

1) Survey and Identification of beneficiaries shall be carried out by the Implementing Agencies.
2) Outreach work will be done to mobilise the persons engaged in begging to avail the services available in the Shelter Homes.

The shelter homes will facilitate education for children engaged in the act of Begging.

Source: https://blog.forumias.com/union-minister-for-social-justice-empowerment-launches-smile-scheme/
https://blog.forumias.com/union-minister-launches-pm-daksh-portal-and-pm-daksh-mobile-app/

Q.47) Generally if the money granted by the Parliament to the government is not spent by the end of the financial year, then:
a) The unspent balance expires and returns to the Consolidated Fund of India.
b) No fresh money is allotted to the service until the unspent money is fully utilized.
c) The government can't make a demand for grant for that particular service in the next Budget.
d) The unspent money is automatically carried forward to the next financial year as a reserve fund.

Ans) a
Exp) Options a is the correct answer.
The budget is based on the principle of annuity, that is, the Parliament grants money to the government for one financial year.
Under the **'Rule of Lapse'** if the granted money is not spent by the end of the financial year, **then the balance expires and returns to the Consolidated Fund of India.** It facilitates **effective financial control** by the Parliament as no reserve funds can be built without its authorization. However, the observance of this rule leads to heavy rush of expenditure towards the close of the financial year. This is popularly called as '**March Rush'**.
Source: Macroeconomics-Budgeting

Q.48) In terms of economy, Fiscal Slippage may result in which of the following situations?
1. Rise in government borrowings
2. Crowding out of corporate borrowers from the market
3. Decrease in yields of the government securities
Select the correct answer using the code given below:
a) 2 only
b) 1 and 2 only
c) 1 and 3 only
d) 1, 2 and 3

Ans) b
Exp) Option b is the correct answer.

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Fiscal slippage refers to the missing of fiscal targets in the country's budget.
Statement 1 is correct: Fiscal Slippage may lead to **rising state government borrowings** which could derail fiscal consolidation, fuel inflation, **increase interest rates**. The Government may force the central bank to change its interest rate target, in order to keep inflation where it wants it
Statement 2 is correct: Fiscal Slippage may lead **to higher borrowings**. Higher borrowings from the Centre and states have led to **hardening in borrowing rates, threatening to crowd out corporate borrowers from the market.**
Statement 3 is incorrect: Fiscal Slippage may lead to higher borrowings. Higher borrowings from the Centre and states have led to rise in borrowing rates. As the investor base for G-Sec and State Development Loans (SDLs) are almost the same, the **continuous and large supply of SDLs** had resulted in hardening of yields of the central government securities. Thus, it **increases yields of the central government securities.**
Knowledge Base: Yield hardening means **bond yields are rising, which indicates that bond prices are falling**. In the current context, this is with reference to the 10-year G-sec (or government bond), the yield on which has gone up from 5.9 per cent towards the end of January 2021 to about 6.2 per cent now.
Source: https://economictimes.indiatimes.com/markets/stocks/news/fiscal-slippage-will-fuel-inflation-harden-rates/articleshow/65631665.cms
https://www.financialexpress.com/economy/rbi-warns-of-fiscal-slippage-inflation/963660/
https://www.thehindubusinessline.com/opinion/countercyclical-fiscal-policy-may-not-help/article33710640.ece

Q.49) Consider the following statements:
1. Coal sector was nationalized by the Government of India under Indira Gandhi.
2. Now, coal blocks are allocated on lottery basis.
3. Till recently, India imported coal to meet the shortages of domestic supply, but now India is self-sufficient in coal production.
Which of the statements given above is/are correct?
a) 1 only
b) 2 and 3 only
c) 3 only
d) 1, 2 and 3

Ans) a
Exp) Option a is the correct answer.
Statement 1 is correct. Indira Gandhi government nationalized coal sector in 1971-73 period. This was reversed by NDA government in 2015, opening the sector to private players.
Statement 2 is incorrect. Under the new policy, the allocation is done on the basis of bidding process-the firm offering the highest per tonne price is allotted the mine.
Statement 3 is incorrect. Though India has fifth largest reserve coal reserve in the world, it is not self-sufficient as it has to import high quality coal to meet its domestic demand.
Source) UPSC CSE Pre 2019

Q.50) Recently proposed by the European Union, the 'Digital Markets Act' is related to:
a) promotion of Digital currency
b) curbing market dominance of Big-tech giants
c) regulation of e-commerce business
d) developing Artificial Intelligence based market products

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Ans) b

Exp) Option b is the correct answer.

Recently, Negotiators from the European Parliament and EU member states have agreed on a landmark law Digital Markets Act (DMA) to curb the market dominance of Big tech giants.

The DMA's focus is on companies termed as 'gatekeepers', which include Apple, Facebook, Google, etc. These companies will have to comply with the new rules.

Significance of the law:

1) The law makes the digital sector fairer and more competitive in the EU market.
2) It helps prevent abusive business practices of large platforms and is compared to historic antitrust reforms to the banking, energy and telecom sectors.
3) It widens consumer choices.
4) It gives rivals a better chance to survive against the world's powerful tech companies
5) Once implemented it sets a new precedent for tech regulation worldwide.
6) It averts years of procedures and court battles needed by EU to punish Big Tech's monopolistic behaviour where cases can end with huge fines, but little change on how these giants do business.
7) The law will give Brussels unprecedented authority to keep an eye on decisions by the giants

Source: https://blog.forumias.com/let-global-principles-guide-messaging-interoperability/

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